"Providing Insurance through CHIP"

February 7th, 2006
Reports from Work Groups

Objectives:

1. Identify the advantages and disadvantages of this option
2. What are we missing on the CHIP Self-Administration table? Identify what other things DPHHS needs to take into consideration for this option.

Option A: Fully Insured-CHIP

Advantages

1. Family access to provider network/reimbursement.
2. More generous reimbursement
3. Level of reimbursement determines access
4. Ability to predict cost/budget
5. Risk shifted to insurer
6. Simplicity of perpetuation
7. Various financial arrangements:
   - Surplus share
   - Minimum premium
   - Prospectively rating
   - Retrospective rating
8. Parity protection (mental health)
9. State ability to take "hands off" approach
10. Limited stigma for families
11. Customer service line for families
12. Broad effective/established provider network
13. Fewer mandated benefits than Medicaid
    - Limits program costs
    - Increases benefit design flexibility
14. Current law regarding administrative cap
15. Higher reimbursement causes less cost shift to other Montanans (uninsured, other government programs)
16. Respond to market changes with edits and contracts
    - Modification options
17. Fully insured does not laser (eliminate or exclude people or diagnosis)
18. Opportunity to do research/incubate idea/try new benefits
19. Legislature has limited influence on reimbursement rates

Option A: Fully Insured-CHIP

Disadvantages

1. Fully insured is subject to market pressures
2. Premium prepayment generates income for insurer
3. Above a 10% cap is still a cost to the state (BCBS administrative cost is not included and is still cost to the state)
4. Historically limited to one carrier. Expanded carriers could be problematic administratively
5. Carrier bears negative public relations burden in justifying premiums/risk
6. Additional taxes (MCHA) must be borne by CHIP
7. Difficult interface between Medicaid and CHIP (coverage gap)
8. Lack of coverage for children who are non-SED or need early intervention or prevention benefits
9. Limits creative benefit design

Option B:
Self-Insured with a Third Party Administrator (TPA) CHIP

Advantages

1. Excess funds remain w/CHIP (under current contract a portion of excess funds go back to CHIP)
2. Getting a provider network vs. self-insured creating network
3. Expertise of TPA Systems, staff
    - Information technology costs = less because spread over number of children and reliable system
4. Reliable claims paying system
5. No need to pay MCHA assessment and genetics tax
6. The reserve always stays with CHIP and is used to provide coverage for kids
7. Economy of scale "piggy backing" on state self-insured pool
8. Providers are likely to stay in
9. Re-insurance
    - Guarantees contract
    - Caps risk, i.e. the "million dollar baby" claims reach the maximum and you reinsure, then the insurance company takes the case
10. Can customize a fully-insured plan
11. Do not need to have costs for stop loss insurance
12. Stigma is not a problem if using a TPA while it may be a problem if state self-administered

Option B:
Self-Insured with a Third Party Administrator (TPA) CHIP

Disadvantages

1. If insufficient funds, the state takes the loss
2. TPA could leave the market, resulting in the need to find another TPA
3. 4% administration may be too low
4. Establish reserves - can be legislatively protected
5. Less fees to MCHA
6. A contractor could terminate before end of contract
7. Unreliable claims system during turnover
8. Insurance rates are driven by environment, i.e. Hurricane Katrina
9. Must deal with Legislature. Establish a reserve and Legislature could take it away
10. 4% administrative may not be enough. Stop loss piece could be a "deal breaker."

Other Considerations

1. Access agent network
2. Easy access to apply for CHIP
3. Actuary costs
4. TPA discounts would be important
5. Stop loss insurance is very important or need to build a reserve
6. Could Medicaid leverage benefit costs (like physician's package)?
7. Consider a "Nurse First" type of service to avoid overuse of E.R.
8. Consider an "agent" contract to help get out word to families
    - Access agent network

Option C: CHIP Self-Administered

Advantages

1. 100% control over cost of program
2. System/infrastructure in place
3. Most stability for forecasting costs
4. More money for benefits
5. Able to enroll more kids
6. No profit for the insurance company (as a fully insured plan)
7. Maximum flexibility
8. Ability to choose benefits on an ala-carte basis
9. Use in-house resources for projecting budget
10. Flexibility of services
11. Ability to coordinate programs within department, manage costs
12. Greater accountability to public

Option C: CHIP Self-Administered

Advantages (continued)

13. More public input into plan
14. Gut feeling is this will allow State to keep down the cost
15. Possibility to increase poverty level if money is saved
16. Allows for flexibility, plan design, innovation
17. More control
18. State immune to lawsuits
19. Department can be audited for compliance at 10% administrative cap
20. Reserve stays at program level for kids (no sharing as in current contract)
21. Cost of developing different plan with benefits
22. Access to providers
23. Dental is predictable. May not compare to medical costs when the state tries to forecast a self-administered plan
24. Combination of CHIP/Medicaid benefits could increase/drive provider network and market share and perhaps result in lower rates
25. Bigger pool increases negotiation power
26. State is only party that has supplement option when over budget
27. SA-Contract Negotiation
28. Possibility of savings on claims processing with larger pool, since ACS processes the claims for Medicaid there are economies of numbers by combining both state pools
29. Some doctors will participate in Medicaid but refuse to contract with BCBS to participate in CHIP
30. Potentially lower administrative costs could move dollars to benefits or eligibility
31. Department can be audited for compliance at 10% cap
32. Reserve stays at program for kids (0 negotiation at plan)

Disadvantages

1. Currently no out-of state provider network
2. Stigma if bills are not paid in timely manner (Medicaid slower to pay than CHIP)
3. Access to dental is limited because of need for:
   - Large case management
   - Cap per child inadequate
   - Cost shift to provider/parent because of monetary cap
4. Provider network
5. Mental health benefit inadequate for some kids
6. Reserves
   - Have to build
   - How to set
   - Maintaining

7. The RFP process will increase time frame and number of proposals that must be evaluated if any portion is contracted out.

Option C: CHIP Self-Administered

Other Considerations

1. Explore contracts with other group plans
2. Explore benefits of Medicaid package vs. CHIP – Would Medicaid be a better vehicle?
3. Need to compare cost of renting network vs. building one
4. How fast are payments for providers?
5. Has there been a provider survey to see what they would prefer?
6. What is the possibility of raising Medicaid provider payment?
7. Utilization functions – outsource or in-house?
   - Large case management
   - Pre-certified hospital stays; ongoing and discharge
   - Case management by APS
8. Maintain focus on prevention
9. Sliding fee scales may be a possibility
10. Stigma with insurance as well
    - Need strategies to reduce stigma no matter what option we use
11. Need to consider running out of claims
12. Department 'in-directs' need to be accounted for
13. Contract management, audit and enforcement will need to be done
14. Must look at economics of scale for different components-volume of scale?

Public comments CHIP received after February 7th meeting

- Need strong provider base
- Need a consistent fee schedule for health programs e.g. SCHIP, Medicaid and others
- Need a good marketing plan so health programs are called one thing and no one knows by the card whether if it is CHIP or Medicaid
- Add case management to CHIP that is similar to Medicaid's "Nurse First" and "Team Care" programs
- Better investment for those wishing to donate to "CHIP IN" Foundation as donation will not go to the private "reserves" of BCBS, but will stay with the kids
- Fewer layers of complexity in the program (currently eye and dental are managed by ACS, not BCBS)
- CHIP and Medicaid benefits should look alike in order to be equitable for both children and providers, and less confusing for everyone when children transition back and forth
- Medicaid reimbursement levels for children's services could go up if savings could be found for the "children's pool" as a whole. Some services under CHIP are reimbursed at a lower level than Medicaid.

Public comments CHIP received after February 7th meeting

(continued)

- Perhaps Medicaid could learn from CHIP staff and simplify the application process for families needing Medicaid.
- Savings from lower administrative costs…administration with BCBS 12% + 6% with Department…so potentially 8% savings or more as Department will operate at 10% or less (Idaho CHIP A and Medicaid operates at 3.5% because of administrative efficiencies they have implemented).
- Need to continue to send Explanations of Benefits to families for the services CHIP Children receive. Medicaid does not do this.